

## AFRICA RISK CONSULTING

### Country briefing – Nigeria

26 July 2013

## Summary

*Violence breaks out in Port Harcourt between People's Democratic Party factions loyal to president Goodluck Jonathan and to Rivers State governor Rotimi Amaechi. Transparency International's Corruption Barometer Index finds that 94% of the Nigerian public believes that public bodies are corrupt or extremely corrupt. China and Nigeria strengthen diplomatic, economic and security ties as Jonathan and Xi Jinping in July sign \$1.1 billion loan for infrastructure. The Nigerian high commission in London makes it much harder to obtain visas in dispute over British plans to require bonds from "high risk" overseas visitors.*

### Rivers State crisis escalates...

Tension between president **Goodluck Jonathan** and **Rivers State** governor **Rotimi Amaechi** boiled over into violent clashes in July and shows no sign of abating. On 10 July supporters of the president clashed with groups loyal to Amaechi in **Port Harcourt**<sup>1</sup>. Five **People's Democratic Party (PDP)** members of the state assembly loyal to Jonathan attempted to impeach state assembly speaker **Otelemaba Amachree**, a key ally of Amaechi, triggering the violence. Their plan was to replace him with Jonathan supporter **Evans Bipi**, who has since claimed he is the legitimate speaker and threatened to suspend 15 unnamed members of the assembly. The conflict escalated when Amaechi claimed that state police refused to protect him or his legislators in the scuffles that broke out inside the state assembly, while the army withdrew from **Government House**<sup>2</sup>. This is the subject of a judicial enquiry but, if true, would suggest politicisation of state security services. Such a development would be liable to exacerbate future tensions.

In a second incident, on 16 July protesters belonging to the **Grassroots Development Initiative** civil society group threw stones at two vehicles belonging to Amaechi as they attempted to leave **Port Harcourt International Airport**<sup>3</sup>. The vehicles carried four visiting governors from the northern states of **Adamawa, Jigawa, Kano** and **Niger** in a mission of solidarity with Amaechi. The Niger

---

<sup>1</sup> This Day, 11 July 2013

<sup>2</sup> This Day, 11 July 2013

<sup>3</sup> Vanguard, 17 July 2013

governor, **Babangida Aliyu**, is the chairman of the influential **Northern States Governors Forum**. The opposition **Action Congress of Nigeria** has asked that the national assembly begin impeachment procedures against the president for failing to ensure that the PDP's state level legislators respect constitutional procedures<sup>4</sup>. Leaders of the **United Nigeria Group**, an umbrella group of civil society, religious and student groups, will also ask the national senate and house of representatives to commence the impeachment of the president. Neither group is likely to succeed – the ANC River State branch opposes the national party's move – but their actions indicate the extent to which the situation has escalated.

The dispute stems from opposition within Jonathan's PDP to his bid for re-election in 2015. [See ARC May 2013 briefing]<sup>5</sup>. The division between north and south threatens to split the PDP. This rift is, however, not a new phenomenon - the PDP is an unwieldy party that has always had divisions between its northern and southern factions. The internal convention of a presidency rotating between north and south emerged from this tension. Jonathan became president following the death of **Umaru Yar'Adua** (2007-2010), a northern Muslim aristocrat. According to the PDP's north-south compact, a fellow northerner should have assumed the presidency. Instead, the PDP followed the constitution and Jonathan, as vice president, took office. Amaechi argues that the PDP should put forward a northern candidate for 2015 in line with the party's convention of alternating between north and south. By gaining the support of Amaechi in what is known as the "South South", Goodluck's home territory, the northern governors pose a real threat to Goodluck's aspirations for a second term.

Amaechi has accused Jonathan of turning the party into a "one man show" and condoning "impunity and authoritarianism" in shoring up his position before the elections. Amaechi is likely to contest the PDP primaries himself, while keeping the northern governors on side. This would most likely be done as vice president on a ticket with **Sule Lamido**, the governor of Jigawa state in the north. As governor of oil-rich Rivers State, Amaechi oversees a budget of \$2.5 billion, a sizeable war chest which would pose a considerable challenge to Jonathan<sup>6</sup>. A crippling fissure within the party is highly unlikely and a compromise should be reached at the PDP's special convention expected at some point in the next couple of months. The disunity within the PDP will encourage the defection of governors, particularly from within the PDP's northern cohort, to the nascent **All Progressive's Congress** opposition. This may jeopardise the passage of contentious legislation including the **Petroleum Industry Bill** and the constitutional amendments introduced in June.

---

<sup>4</sup> This Day, 11 July 2013

<sup>5</sup> Source, political consultant, Abuja

<sup>6</sup> Source, political consultant, Abuja



But perceptions of corruption increase...

Transparency International's findings in the 2013 Corruption Barometer Index suggest that the Nigerian public has little faith in the country's institutions. Over nine in ten respondents (94%) say that public bodies are corrupt or extremely corrupt, with 72% of respondents thinking that the governing elite is solely concerned with managing its own interests<sup>7</sup>. Of those polled, 85% think that corruption has increased either a lot or a little in the past two years. The government has pardoned a number of high profile figures accused of corruption in that timeframe. In March 2013, Jonathan pardoned his political benefactor and former governor of Bayelsa, Diepreiye Alamiyeisegha<sup>8</sup>.

British police arrested Alamiyeisegha in September 2005 after discovering more than \$1m in cash in his home<sup>9</sup>. He escaped bail, and enjoyed immunity from prosecution while in office in Nigeria. He was impeached and charged in 2007 with illegally operating foreign accounts in London, Cyprus, Denmark and the United States. Jonathan also pardoned former managing director of the Bank of the North, Shettima Bulama, at the same time. The Economic and Financial Crimes Commission charged Bulama in September 2003 with embezzling funds from the bank by granting himself extended overdrafts<sup>10</sup>.

The following percentage of respondents thought that these institutions were either corrupt or extremely corrupt:

	Political Parties	Parliament	Military	Judiciary	Police	Civil service
Nigeria	94%	73%	45%	66%	92%	69%
Regional Average <sup>11</sup>	71.6%	67.8%	36.4%	74.6%	86.8%	60.4%

There are concerns regarding the value of the regional average. Transparency International surveyed only five Economic Community of West African States members. Extreme results therefore distort the average of this small sample. For instance, 96% of Liberian respondents think that their parliament is corrupt; excluding Liberia, the regional average is 42.5%. Nevertheless, Nigeria's results stand alone and are notable. The high percentage of respondents who lack faith in Nigeria's political parties and parliament – especially when Liberia is excluded – is disturbing. It suggests that the

---

<sup>7</sup> Transparency International, July 2013  
<sup>8</sup> AP, 13 March 2013  
<sup>9</sup> AP, 13 March 2013  
<sup>10</sup> Daily Trust, 13 September 2003  
<sup>11</sup> Nigeria, Ghana, Liberia, Senegal, Sierra Leone



majority of Nigerians have little investment in their country's democratic processes, a bellwether for continuing political instability.

The rule of thumb concerning the perception of corruption is that it encourages a culture of distrust under which the practice of corruption flourishes. In Nigeria, however, the number of respondents that admit to paying bribes within the past year is lower than the regional average. This is the case even when results which might disproportionately affect the average are excluded.

	Land Services	Judiciary	Police	Registry and Permit Office	Utility Companies	Tax Revenue
Nigeria	17%	24%	81%	29%	29%	22%
Regional Average <sup>12</sup>	44.4%	58.6%	76.2%	50.2%	37.6%	45%

### China’s investment in infrastructure grows...

**China** and Nigeria are strengthening diplomatic, economic and security ties. President Jonathan met his counterpart **Xi Jinping** in July, signing a \$1.1 billion loan for infrastructure with interest on the credit at 2.5%<sup>13</sup>. Other agreements reached include a lending arrangement between the **Export-Import Bank of China (EXIM)** and the Nigerian finance ministry for the expansion of airport terminals in **Abuja, Lagos, Port Harcourt** and **Kano**; oil and gas infrastructure; the **Zungera** power plant, as well as a technical cooperation pact. The total value of the agreements is approximately \$3 billion. At an investment conference during the visit, the Nigerian conglomerate **AMA Investment and Infrastructure Holdings** signed a memorandum of understanding with the **Sinohydro Corporation** for the financing, construction and operation of the proposed **Gurara** integrated power project. The Gurara project comprises a dam and 360MW power plant on the Gurara River in Niger and Kaduna states. The **China Civil Engineering Construction Corporation** began work on two new stations as part of the light rail project in Abuja in July. China's EXIM Bank provided a \$500m soft loan for the project, highlighting the existing depth of Chinese involvement in Nigerian infrastructure<sup>14</sup>.

Nigeria's value to China lies in its need for oil; in 2012 it overtook the **United States** as the largest destination for Nigerian oil exports. Trade between the two countries was below \$2 billion in 2002 but exceeded \$13 billion in 2012<sup>15</sup>. According to the Nigerian government, Chinese demand for the

<sup>12</sup> Uganda, Ethiopia, Kenya, Rwanda, Tanzania

<sup>13</sup> China Daily European Investment, 12 July 2013

<sup>14</sup> Xinhua, 23 July 2013

<sup>15</sup> Nigerian Trade and Investment Ministry

country's oil is expected to rise tenfold to 200,000 barrels per day by 2015<sup>16</sup>. In August 2012, the **Central Bank of Nigeria** converted a significant part of its reserve from the dollar to the Yuan, while the recent visit included an agreement by which it will be able to invest in China's interbank bond market. The delegation included defence minister **Bello Mohammed** which points to defence as a future area of strategic cooperation.

### Anger at UK Visa policy...

The Nigerian high commission in **London** has made it much harder to obtain visas in what appears to be a tit for tat response to British plans to require bonds from "high risk" overseas visitors. Prime minister **David Cameron** seemed to perform a U-turn in June, denying that he had signed off on the policy of requiring £3,000 (\$4,600) bonds from visitors from Nigeria, **India** and **Ghana**. Pilot studies of the policy will, however, begin in November<sup>17</sup>. The **United Kingdom (UK)** claims that the pilot study will be "highly selective", focusing on those visitors thought to present a "residual risk" of overstaying and exempting those who had already visited the UK. The bonds policy is unlikely to be a major inconvenience for senior Nigerian executives conducting business in the UK as most are on ten year visas<sup>18</sup>. The federal government, however, perceives the policy as a slight. The result of its opprobrium has been that British citizens, including oil executives and their families, have faced long delays at the Nigerian high commission in London, with several having to cancel flights. Multi-entry visas have become *"frankly impossible to obtain... the best you will get is single entry which is hardly conducive to conducting serious business"*<sup>19</sup>. The dispute comes at a time when the UK is attempting to strengthen business ties with Nigeria. The UK's shadow business secretary **Chuka Umunna** led a business delegation to the country in May.

### Implications

Tensions within the PDP are likely to increase until a compromise agreement can be obtained at a special convention of the governors. Until then, the PDP faces the very real risk of defections to the APC. With the rise of the APC, it is in the interests of all within the PDP to present a united front, at least until the primaries begin in 2014. A compromise therefore appears the likeliest outcome. At a state level, further sporadic violence between PDP factions in Port Harcourt can be expected.<sup>20</sup> The violence in Rivers State has, so far, not disrupted oil operations, and would have to spread

---

<sup>16</sup> AP, 10 July 2013

<sup>17</sup> FT, 25 June 2013

<sup>18</sup> Source, British diplomat, Lagos

<sup>19</sup> Source, British diplomat, Lagos

<sup>20</sup> Source, political consultant, Abuja

considerably to do so. The response of the security services will be significant with regard to whether their behaviour will raise political tensions as the 2015 elections approach.

China and Nigeria will continue to strengthen their economic links. Oil exports to China will help Nigeria make up export revenue shortfalls from the US turning its focus to domestic sources of shale gas. In turn, oil imports from Nigeria will help China as it continues its transition to a consumption focused economy. Trading with Chinese state firms behind the scenes will affect both supply and demand. This will add uncertainty to both individual projects and commodity prices. Chinese capital for infrastructure will help Nigeria overcome its bottlenecks in energy and transport. It will become harder for Western companies to win contracts if they are bidding against Chinese firms backed by state banks and able to offer a bigger package of financial and diplomatic benefits.

The dispute over visas is likely to rumble on. Even if the British government shelves the policy under pressure from the business community, Nigerian pride has been hurt especially at a time when China appears to be making it easier to conduct trade. Nigerian firms and international companies with operations in country are preparing for it to be harder for their managers and staff to enter the UK. Several are planning on constructing training centres in Nigeria rather than flying staff to the UK as was previously practised<sup>21</sup>. This would be a blow to the British rather than the Nigerian economy.

---

<sup>21</sup> Source, British diplomat, Lagos